

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Boston Edison Company, Cambridge)	D.T.E. 03-121
Electric Light Company, and)	
Commonwealth Electric Company)	
d/b/a NSTAR Electric)	
)	

**DIRECT TESTIMONY
OF
DAVID HANNUS**

**Docket No. DTE 03-121
Exhibit Joint Supporters-DH-1
2004 March 16
Before Hearing Officer J. Cope-Flanagan**

1 Q. Please state your name, occupation and business address.

2 A. My name is David Hannus. I am President of Co-Energy America, Inc. My
3 business address is 161 Kuniholm Drive, Bldg 5, Holliston, MA 01746
4

5 Q. What is the purpose of your testimony in this proceeding?

6 A. My testimony in this proceeding is to address problems with the Standby
7 Service rates proposed by NSTAR Electric. I will demonstrate how the rates
8 as proposed jeopardize on-site generation projects for schools, colleges,
9 universities in Boston and the eastern part of the Commonwealth. This
10 includes projects already built by my Company and others under contract in
11 the Boston Schools. I am especially heartened by the report of the
12 Massachusetts Task Force on Electric Reliability and Outage Preparedness,
13 which finds that conservation, energy efficiency and distributed generation
14 could contribute to a more stable and diverse electric system and those steps
15 should be taken to remove barriers to their deployment.
16

17 Q. For whom are you testifying?

18 A. I am testifying on behalf of Co-Energy America, Inc., the Joint Supporters,
19 and the Conservation Law Foundation.
20

1 Q. Please describe your qualifications.

2 A. As President of the company, which I co-founded in 1998, I am responsible
3 for all aspects of the business, including sales, installation, and service of
4 onsite generation facilities (OSG) (i.e., distributed generation (DG) and
5 Combined Heat and Power (CHP) systems. I am responsible for developing
6 and implementing OSG opportunities for Co-Energy America throughout
7 New England, especially Eastern Massachusetts. I am also responsible for
8 conducting feasibility analysis reviews for such projects before the projects
9 are engineered, procured and built. I am responsible for delivering cost-
10 effective projects that meet the savings/earnings requirements of the end-user.
11 In short, I am responsible for the bottom line of my company.

12 Prior to creating Co-Energy America, I worked for Intelligen Energy
13 Systems, a packager of small residential cogeneration systems (5 kW). I am
14 pleased to say that my present firm still services a handful of these, which
15 have been operating successfully for 10 years. The firm is gone but several of
16 the machines keep working.

17 My earlier career was a master pipe fitter, refrigeration and energy
18 controls technician in the HVAC industry and a construction supervisor. I
19 obtained a certificate in the HVAC design program at Northeastern

1 University. My undergraduate education was in Business Management at
2 Newbury College.
3

4 Q. Please describe the nature of Co-Energy America's business.

5 A. Since its inception, Co-Energy America, Inc., has been committed to
6 providing our clients with the most efficient and environmental-friendly
7 energy-producing technologies available. We firmly believe that further
8 development and deployment of these technologies would be a great benefit to
9 our economy and way of life and could help improve system reliability.

10 Co-Energy America currently is the distributor, installer and
11 maintainer in New England for Coast Intelligen, Inc., packaged cogeneration
12 equipment built around industrial grade engines manufactured by MAN.

13 With respect to DG/OSG, Co-Energy America had identified the
14 service territories of the NSTAR affiliates as having one of the most favorable
15 economic climates in the country for such systems and, as a result, has
16 launched our major program for the development of such systems in this area.
17

18 Q. Please describe the current status of the Co-Energy America DG/OSG
19 development program in the NSTAR affiliates' service territories.

1 A. The determination of standby rates proposed in D.T.E. Docket no. 03-12 are
2 of great consequence to our company, to our largest client base, the public
3 schools, colleges and universities of the Commonwealth, and to the emerging
4 DG/OSG industry. For example, we have four built projects in the Boston
5 Public Schools, four more being constructed at this time and approximately
6 twenty in the pipeline in various situations that are in serious jeopardy due to
7 the proposed standby rates. These projects range in size from 150 kilowatts to
8 1.0 megawatts in all three NSTAR affiliates' territories. These projects use
9 induction generators and are dependent on being connected to the grid. They
10 are not designed to island and be autonomous. Co-Energy America has
11 identified numerous commercial, industrial and healthcare facilities that are
12 suitable for DG/OSG projects. Unfortunately, all these projects are on hold as
13 a result of this proposed rate proceeding.

14
15 Q. What has been the impact of the proposed standby rate on these projects?

16 A. As stated above, as a result of the NSTAR affiliates' proposed standby rates,
17 all of the projects we have been developing have been put on hold. This is due
18 to the simple fact we and our clients can no longer determine positive
19 economic benefits that would have otherwise accrued from the installation of
20 DG/OSG at these properties, including two Boston School projects that

1 NSTAR inspected and approved for operation in November 2003. This is due
2 to both the uncertainty of the actual charges under the proposed rate and the
3 complicated nature of the rate.
4

5 Q. What is your position regarding the standby rates filed for the NSTAR
6 companies?

7 A. Co-Energy America hereby opposes the rates, both with respect to their
8 overall structure and to certain specific details.

9 As previously stated, Co-Energy America is presently developing four
10 OSG projects for Boston School Committee in NSTAR's service territory.
11 These projects would provide significant economic benefits to the Schools
12 involved, thereby assisting in lowering school costs and keeping teachers in
13 the classroom. Furthermore, the projects would also greatly assist in relieving
14 pressure on NSTAR's distribution networks in the neighborhoods involved.
15 Both of these benefits would likely be lost if the standby rates and tariffs are
16 accepted as filed.

17 Q. What are your specific objections to the proposed rates?

18 A. The primary flaws that Co-Energy America seeks to address involve the
19 proposed price hikes and the effect upon OSG's ability to fairly compete in
20 the energy marketplace. Our objections are as follows:

1 1. The proof of both of the above statements is in the fact that OSG
2 projects which we are presently developing are economically viable
3 under the terms of the tariffs currently in effect, but are of diminished
4 viability and questionable attractiveness under the proposed tariffs.
5 This includes projects that: (1) shave peaks; (2) are load following; or
6 (3) operate 24 hours a day, seven days a week. For example:

7 a. The John Condon School in South Boston and John Marshall
8 School in Dorchester have peak-shaving cogeneration systems
9 that were put into service in November of 2003.

10 b. Both systems provide 250 kW each and are operated to shave
11 demand during weekday hours morning to night.

12 c. The projected saving for 3600 hours of operation per year was
13 a total of \$132,000.

14 d. The proposed demand charge would be \$ 96,000, reducing the
15 savings to \$ 36,000 per year.

16 I have illustrated some other examples of these difficulties in Exhibit
17 Joint Supporters-DH-2. These examples show that, under the
18 proposed tariffs, peak-shaving projects are significantly less attractive
19 and load following projects are generally less attractive, which drives

1 further consideration of adopting 24 hour/7day operation or isolating

2 from the system.

3 2. The proposal creates a new and unfamiliar rate structure for customers
4 who wish to utilize OSG while those who do not choose to develop
5 OSG remain on their familiar and well established rates.

6 a. Specifically, OSG customers would be faced with calculating
7 the risks presented by the proposals' Contract Demand charges
8 which have no counterpart in the utility's other tariffs.

9 b. The establishment of two totally different structures results in
10 an intrinsically anticompetitive environment in which OSG
11 would be forced to compete.

12
13 Q. What is your overall recommendation?

14 A. The Company should withdraw its proposal.

15 In the alternative, the Department of Telecommunication and Energy should
16 reject the Company's request to set standby rates at this time.

17

1 Q. What is your recommendation if some form of Standby Rates must be
2 adopted?

3 A. Then some form of exemption should be established for projects that meet set
4 criteria, such as types of usage/hosts, types and/or quality of technology, etc.,
5 especially projects serving governmental, educational, health, and housing
6 facilities. Others may be determined after a review process by the D.T.E.
7 after consulting stakeholders. The exemption should be permanent.

8 If standby rates must be adopted, then a transitional period should be
9 allowed that is sufficiently long for investment to be recovered.

10 If standby rates must be adopted, the definition of “existing” OSG
11 projects should not be as proposed in the tariff but instead, should be modified
12 to include any projects meeting a minimal set of criteria as of the effective
13 date of the tariff or some other future date, not the filing date of the original
14 submission. Given the lead time involved in developing such projects and the
15 expense involved, it is only proper that projects in which the parties involved
16 have made firm commitments and have expended considerable sums of
17 money should not be penalized. To illustrate, the utility submitted its first
18 filing on October 23, 2003 and would affect all projects after October 31,
19 2003. The two projects mentioned above were completed in October but
20 inspected in November. We never heard that the utility was considering a

1 standby rate filing, much less, had actually filed a preliminary one. These
2 projects would appear to be subject to the rates as proposed even though they
3 had been committed and largely built before the tariffs were finally filed in
4 January 2004.

5
6 Q. As a businessman, do you have a concern about the provisions regarding the
7 term and notification periods proposed in the tariffs to advise the company of
8 changes?

9 A. Yes, each of the tariffs contains a provision that the term of the service be a minimum
10 of twelve months and thereafter shall continue "until terminated on six months'
11 written notice by the Customer." [NSTAR, Boston Electric, M.D.T.E No. 137 p. 5 of
12 5] In addition, if the Customer, my client, wants to transfer to the Company's
13 available non-firm standby rate, they want 36 months prior written notification. They
14 want six months notice if my customer wants to add emergency generators beyond
15 what was in place when the service started. Why six months and why 36 months?
16 Both are excessive. If my customers need more emergency generators, they need
17 them yesterday, not six months from now. Non-firm standby rate service should be
18 relieving the company of obligations, not creating conditions that need 36 months
19 lead time. These are hassles that can kill business. Many negotiations to do projects
20 are over and done with in 2-3 months. These lead times are simply anti-competitive.

1 Q. What are your main conclusions and recommendations regarding the proposed
2 standby rate?

3 A. In conclusion, the Utilities' filing dated January 16, 2004 must be rejected. If
4 the proposed tariffs go into effect, cost savings that could be used by the
5 schools, for example, to ensure teachers' positions will not be cut, will not
6 materialize. More broadly, the tariffs must be rejected to ensure that the OSG
7 market in NSTAR affiliate's service territory remains a viable and vibrant
8 one. At the very least, the DTE should adopt the revisions and clarifications
9 referenced above.

10 Q. Does this conclude your testimony?

11 A. Yes.